

Stevens' Supplemental Proposal

STAT

Enclosed are three tables each for CIARDS and CSRS that illustrate the effect of the Stevens' plan. I am also enclosing a page presenting the assumptions used and a clarification of the effect of the million dollar fund.

I will try to produce the other tables requested before I come to the UBLIC meeting on Tuesday. These will show the effect of an employee contribution of 10% and employer of 4%. Also, you may have a need for other figures.

Upon review of the Stevens plan and the resulting benefits, I think the CIARDS system makes out pretty well because of the lack of a reduction and the supplemental benefit payable until age 62. While total benefits are below CIARDS, the plan may be one of the better ones you will see this year. - *Not Hume*

The following are the advantages of the Stevens approach for CIARDS:

Benefits at 55 about equal to the current system.

Opportunity for employees to design their own plan through the contribution election.

Relatively level lifetime income because of the supplement.

An approach that the employees seem to like because of the large funds that will build up.

Better benefits for employees who leave before 50.

Disadvantages are:

Encouraged to leave

Stability Loss of the peak in suddenly large benefit at 50 which draws employees to 50 and causes rapid retirement thereafter.

Loss of benefit value to inflation (but the current system may lose full indexing anyway).

✓ Low benefits to employees who do not participate fully in the plan.

Higher employee contribution. *5.7% Social Security, 4% Employee*

Earliest retirement at age 55.

- *Employees at younger ages not likely to contribute*

- *Spec group small part*

3/4/85

Assumptions for Stevens' Plan Examples

The benefits in the accompanying tables were calculated using the following economic assumptions:

Investment income - 10% initially dropping to 6% a year after the seventh year.

General schedule increases - 5.5% a year.

Inflation - 4% a year.

The benefits illustrate the relative effect of the Stevens' proposal and the current CSRS and CIARDS programs. Stevens' plan benefits combine a capital accumulation plan with a defined benefit plan and social security. The illustration is for an employee who participates fully in the capital accumulation plan throughout the career.

While the tables show the impact of the plan on full careers at retirement, there are other important aspects that will have to be carefully examined to determine the overall impact of the proposal. These include the employee contributions and benefits payable on disability, death or other separation before full retirement.

Employee entering the CSRS in 1985

Retiring at Age 62 with 20 Years of Service

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$23,983	\$30,780	\$59,230	\$68,700
Senator Stevens' plan benefits at retirement:				
Capital accumulation plan	\$3,803	\$5,524	\$9,061	\$9,547
Pension plan	\$3,622	\$4,693	\$8,859	\$10,474
Social security	\$3,238	\$3,694	\$4,455	\$4,455
Total benefit from Stevens' plan:				
At retirement	\$10,662	\$13,910	\$22,375	\$24,475
At age 80	\$7,651	\$9,706	\$15,130	\$16,501
Benefit from current system	\$8,172	\$10,589	\$19,989	\$23,634

Note: Benefits are shown for an employee who participated in the capital accumulation plan in full throughout the career.

49% - Emp
89% - Act +

Employee entering the CSRS in 1985
Retiring at Age 55 with 30 Years of Service

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$26,889	\$34,299	\$64,456	\$68,700
Senator Stevens' plan benefits at retirement:				
Capital accumulation plan	\$6,079	\$8,364	\$14,571	\$16,380
Pension plan	\$5,244	\$6,632	\$12,677	\$13,511
Social security at 62	\$4,894	\$5,282	\$5,810	\$5,810
Total benefit from Stevens' plan:				
At retirement	\$11,322	\$14,996	\$27,248	\$29,891
At age 62	\$14,078	\$17,412	\$27,919	\$30,019
At age 80	\$10,370	\$12,462	\$19,003	\$20,190
Benefit from current system	\$14,233	\$18,001	\$34,407	\$36,673

Note: Benefits are shown for an employee who participated in the capital accumulation plan in full throughout the career, (4% for Employee and 8%)

Employee entering the CSRS in 1985
Retiring at Age 65 with 40 Years of Service

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$28,342	\$34,299	\$67,939	\$68,700
Senator Stevens' plan benefits at retirement:				
Capital accumulation plan	\$9,877	\$13,145	\$23,713	\$25,905
Pension plan	\$8,642	\$10,458	\$20,716	\$20,948
Social security	\$7,151	\$8,057	\$8,613	\$8,613
Total benefit from Stevens' plan:				
At retirement	\$25,669	\$31,661	\$53,041	\$55,466
At age 80	\$19,056	\$23,127	\$37,172	\$38,562
Benefit from current system	\$20,509	\$24,819	\$49,162	\$49,712

Note: Benefits are shown for an employee who participated in the capital accumulation plan in full throughout the career.

Employee entering the CIARDS in 1985
Retiring at Age 60 with 30 Years of Service

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$26,889	\$34,299	\$64,456	\$68,700
Senator Stevens' plan benefits at retirement:				
Capital accumulation plan	\$6,590	\$9,067	\$15,796	\$17,756
Pension plan	\$6,097	\$7,711	\$14,740	\$15,711
Social security at 62	\$5,243	\$5,659	\$6,225	\$6,225
Total benefit from Stevens' plan:				
At retirement including supplement	\$17,930	\$22,438	\$36,761	\$39,692
At age 62	\$17,196	\$21,454	\$34,997	\$37,742
At age 80	\$12,354	\$14,987	\$23,354	\$24,901
Benefit from current system	\$15,182	\$19,201	\$36,701	\$39,118

Note: Benefits are shown for an employee who participated in the capital accumulation plan in full throughout the career.

Employee entering the CIARDS in 1985
Retiring at Age 50 with 25 Years of Service

Grade at retirement	GS-9	GS-11	GS-15	65,146 1/3 61,611 1/5 SES
Final salary on 1985 scale	\$25,436	\$32,539	\$62,714	\$68,700
Senator Stevens plan benefits at retirement:				
Capital accumulation plan	\$4,382	\$6,161	\$10,488	\$11,252
Pension plan	\$4,847	\$6,149	\$11,737	\$13,092
Social security at 62	\$3,917	\$4,328	\$4,990	\$4,990
Total benefit from Stevens' Plan:				
At retirement including supplement	\$13,146	\$16,637	\$27,215	\$29,334
At age 62	\$10,476	\$13,024	\$20,795	\$22,341
At age 80	\$7,944	\$9,622	\$14,703	\$15,687
Benefit from current system	\$12,069	\$15,310	\$29,225	\$32,598

Notes: The current version of the Stevens' plan would not permit retirement until age 55.

Benefits are shown for an employee who participated in the capital accumulation plan in full throughout the career.

Employee entering the CIARDS in 1985
Retiring at Age 55 with 30 Years of Service

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$26,889	\$34,299	\$64,456	\$68,700
Senator Stevens' plan benefits at retirement:				
Capital accumulation plan	\$6,079	\$8,364	\$14,571	\$16,380
Pension plan	\$6,097	\$7,711	\$14,740	\$15,711
Social security at 62	\$4,894	\$5,282	\$5,810	\$5,810
Total benefit from Stevens' plan:				
At retirement including supplement	\$17,070	\$21,358	\$35,121	\$37,900
At age 62	\$14,821	\$18,351	\$29,715	\$31,934
At age 80	\$10,891	\$13,120	\$20,260	\$21,530
Benefit from current system	\$15,182	\$19,201	\$36,701	\$39,118

Note: Benefits are shown for an employee who participated in the capital accumulation plan in full throughout the career.

vs Stepped Proposal

CIARDB 11, 15, & SIS

CSRS 11, 15, & SIS

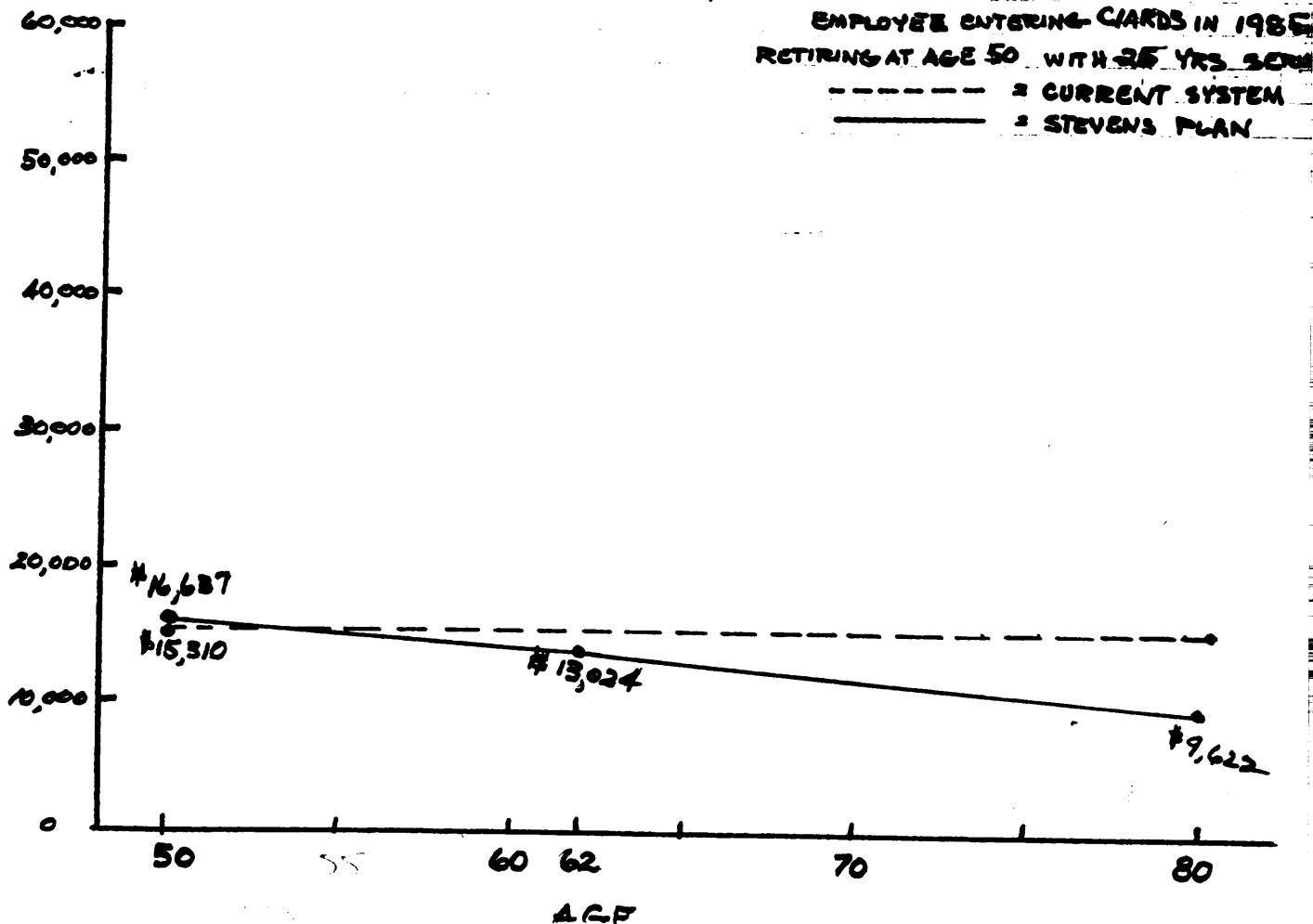
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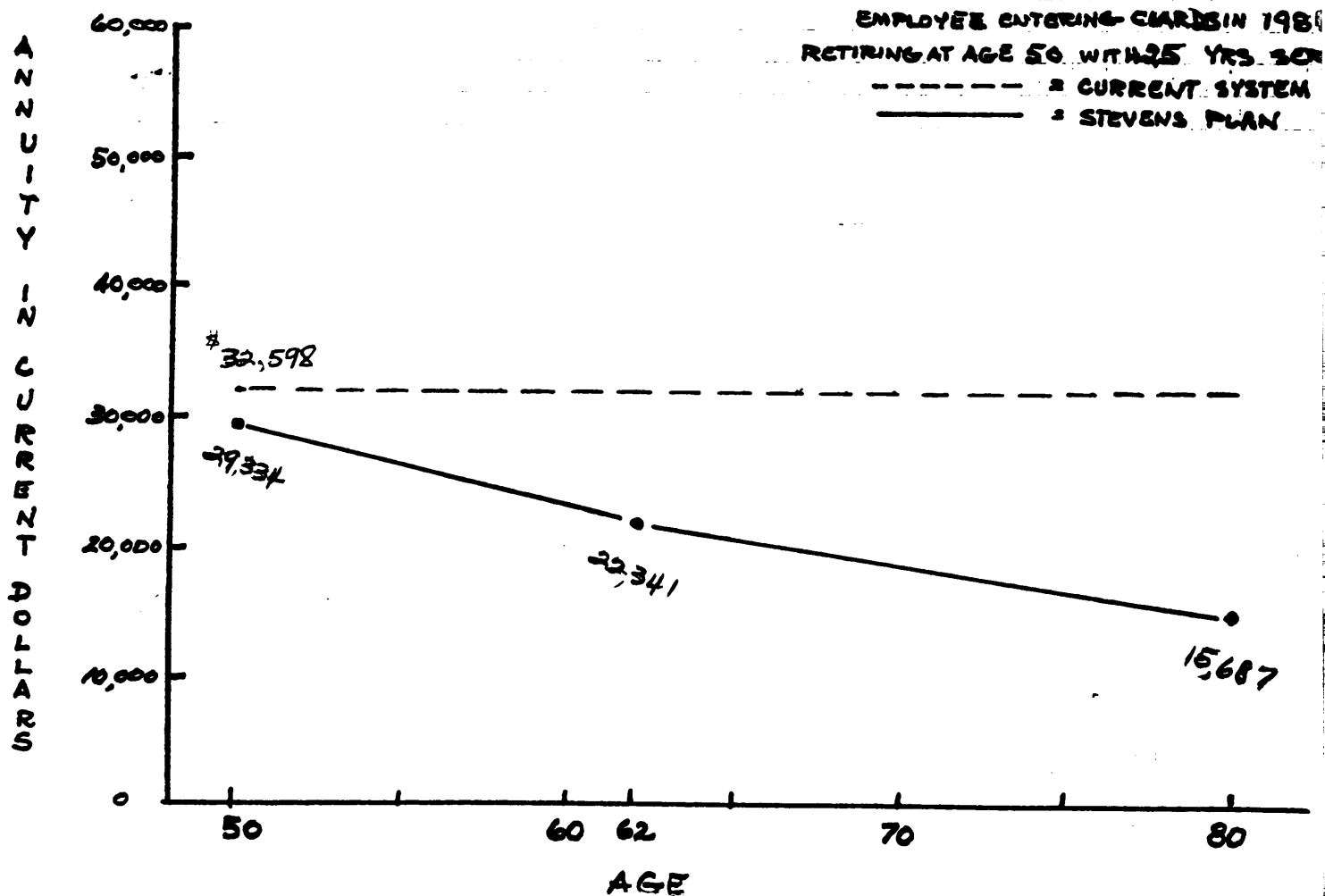
**COMPARISON OF RETIREMENT BENEFITS
CURRENT SYSTEM VS STEVENS PLAN
RETIREMENT AS GS-11**

*(copy file in Annals
Comparison file)*

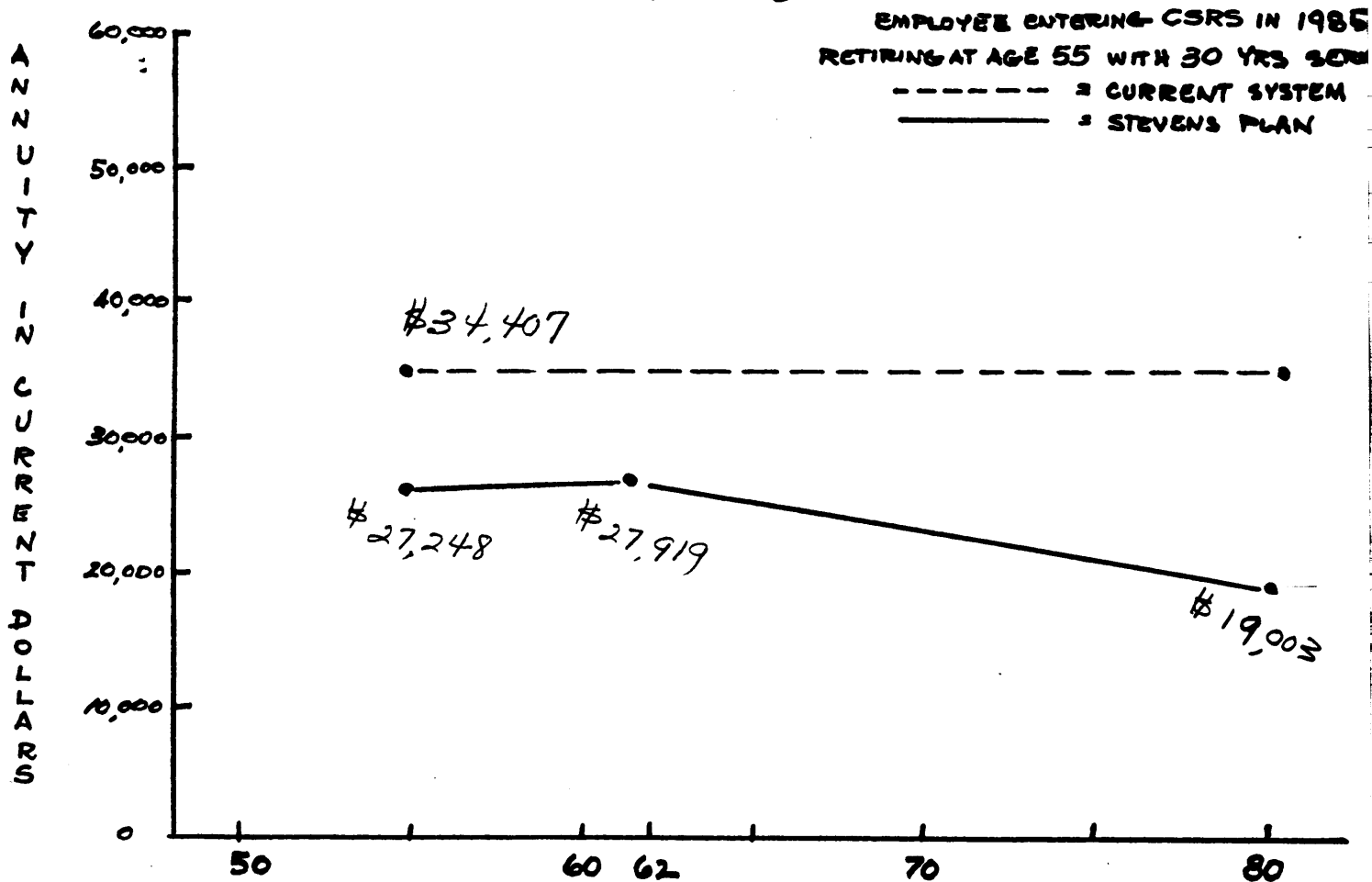
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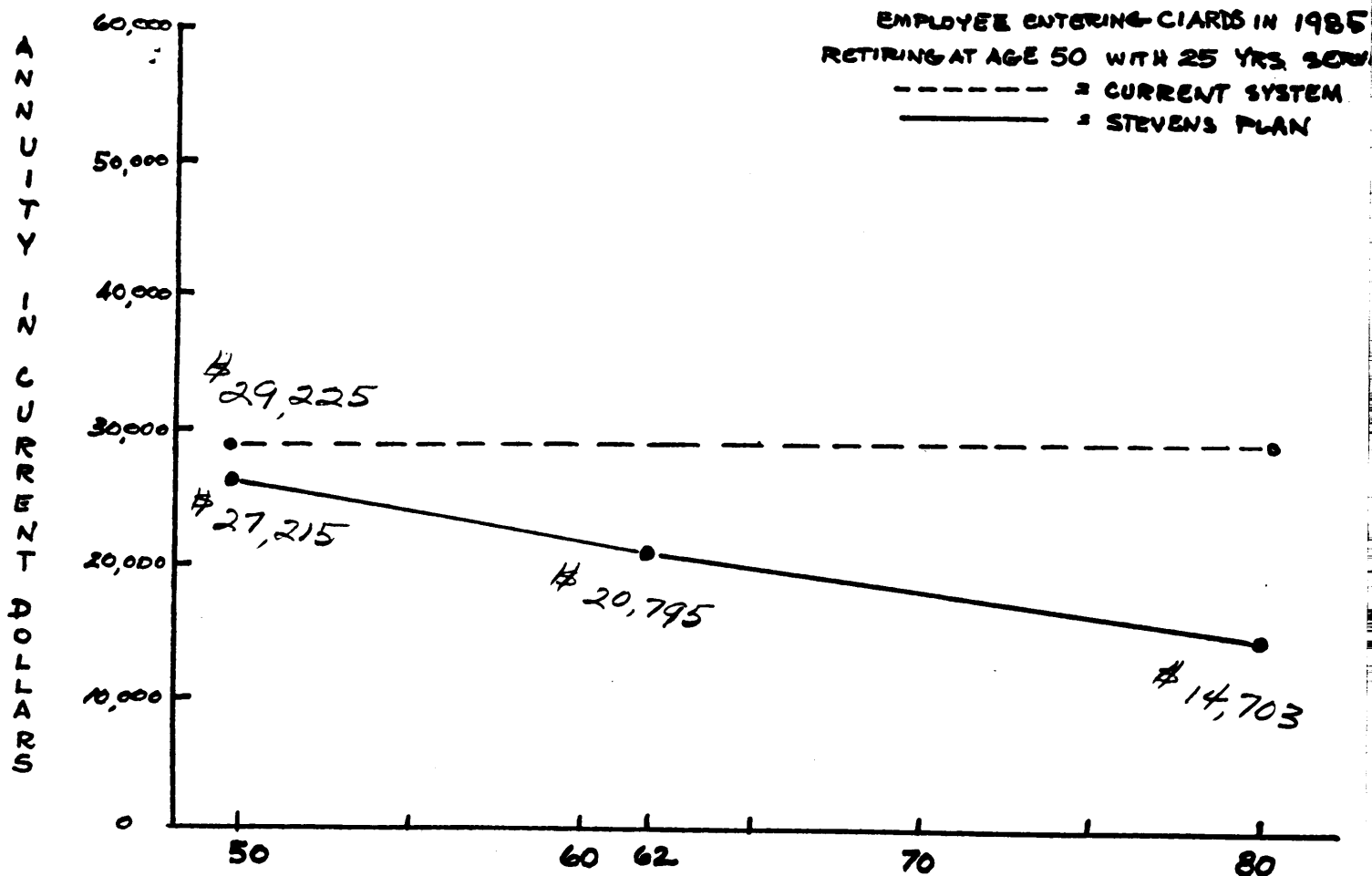
COMPARISON OF RETIREMENT BENEFITS
CURRENT SYSTEM VS STEVENS PLAN
RETIREMENT AS SES



COMPARISON OF RETIREMENT BENEFITS
CURRENT SYSTEM VS STEVENS PLAN
Retirement at GS-15

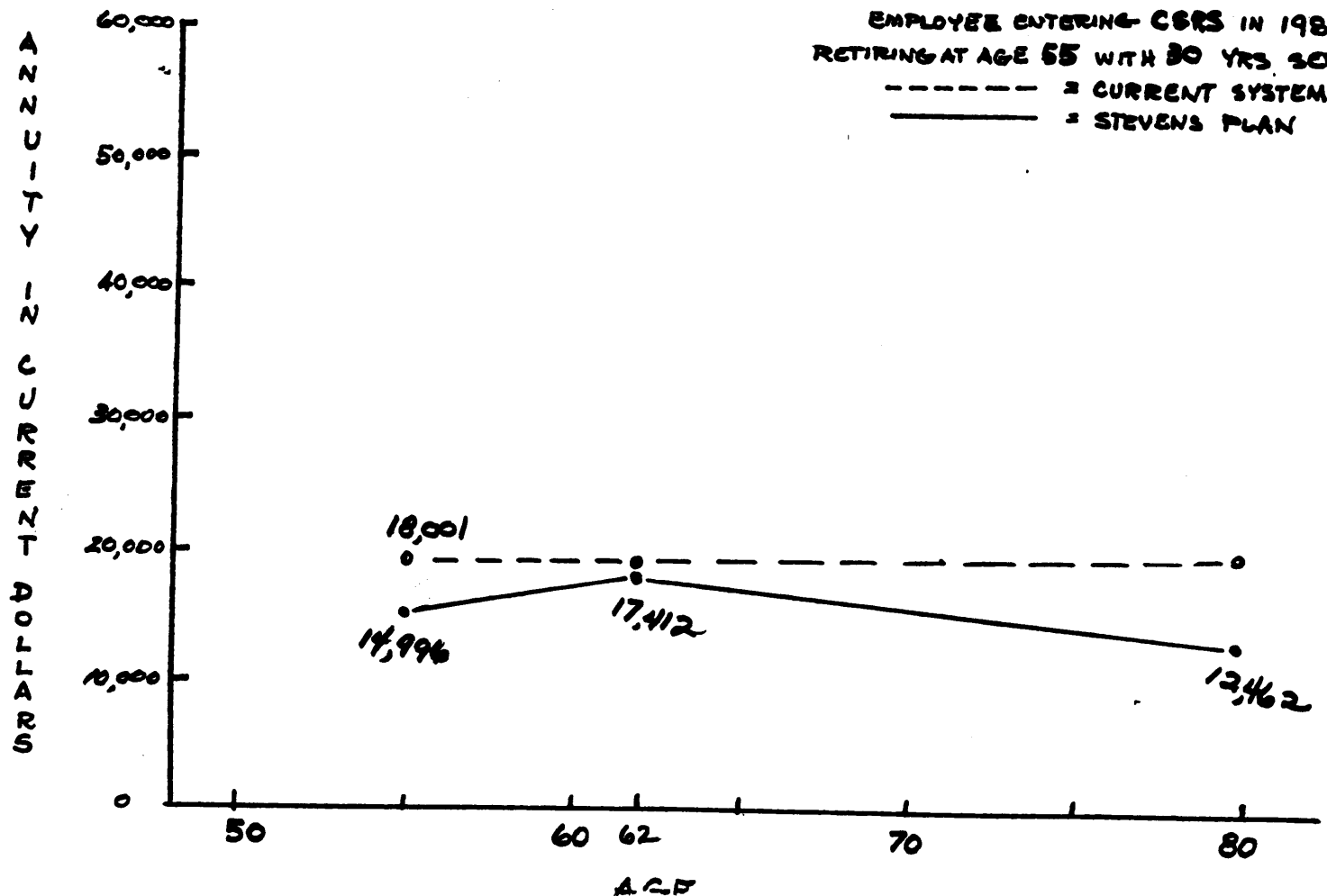


COMPARISON OF RETIREMENT BENEFITS
CURRENT SYSTEM VS STEVENS PLAN
Retirement at GS-15



COMPARISON OF RETIREMENT BENEFITS
CURRENT SYSTEM VS STEVENS PLAN
Retirement at 65-11

EMPLOYEE ENTERING GRS IN 1985
RETIRING AT AGE 65 WITH 30 YRS. SERVICE
----- = CURRENT SYSTEM
———— = STEVENS PLAN



COMPARISON OF RETIREMENT BENEFITS
CURRENT SYSTEM VS STEVENS PLAN
Retirement at 55

EMPLOYEE ENTERING CSRS IN 1985
RETIRING AT AGE 55 WITH 30 YRS. SERVICE
----- = CURRENT SYSTEM
———— = STEVENS PLAN

